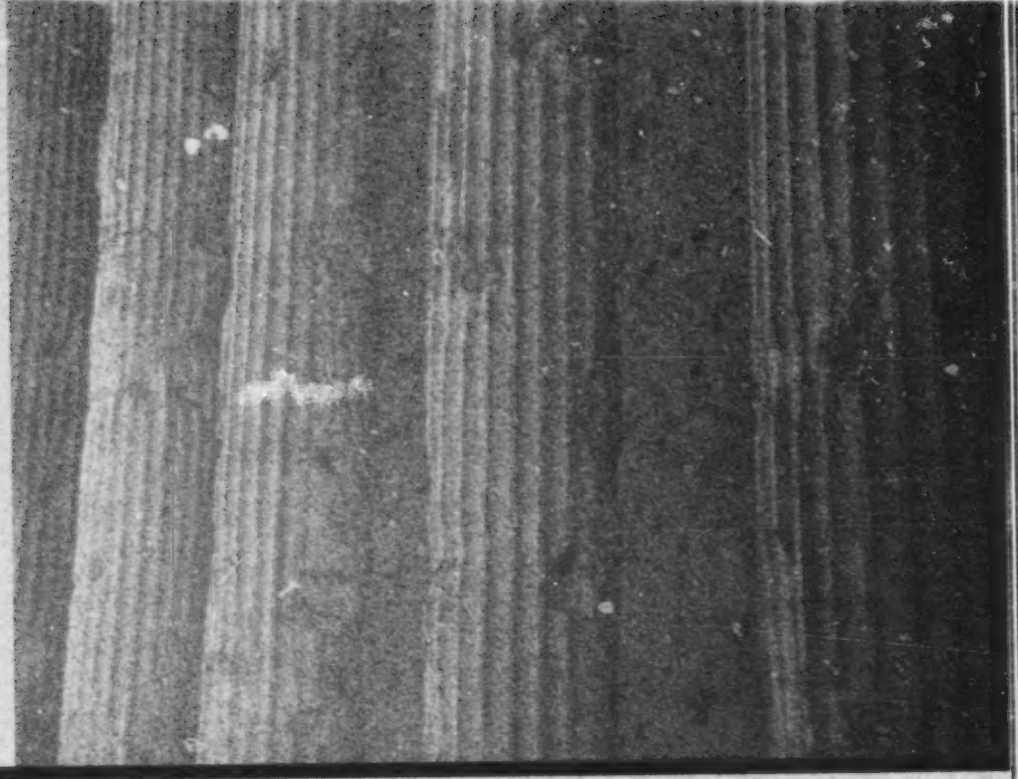

Capital
Pension Plan

2002 Annual Report

Working for your Future

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Capital
Pension Plan

Introduction

Message from the Chair

103-04265/

December 31, 2002

To: The Members of the Capital Pension Plan

As Chair of the Pension Board for the Capital Pension Plan, I am pleased to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2002.

Worldwide equity markets continued to post negative returns in 2002, some for the third consecutive year. This negative equity market performance affected the Diversified Fund. For only the second time since its inception in 1976, the Diversified Fund closed the year with a negative rate of return. The rate of return for the Diversified Fund for the year ending December 31, 2002 was -3.30%.

Although the 2002 rate of return for the Diversified Fund is disappointing compared to the Fund's performance in previous years, it remains favourable when compared to the performance of the financial markets. The S&P/TSX Index ended 2002 with a rate of return of -12.4%. The S&P 500 Index posted a return of -22.9% at December 31, 2002. The investment policies and goals adopted by the Pension Board are designed to generate competitive returns over the long-term. Long-term returns for the Diversified Fund remain strong. The Diversified Fund's 10-year compound rate of return is 10.07%, which ranks near the first quartile based on the average performance of 43 institutional balanced funds (according to PAL*Trak*™). The Pension Board strives to minimize the impact of market volatility by diversifying among a range of asset classes and management styles. The Pension Board employs professional investment managers with recognized expertise. Performance is monitored by the Pension Board on a quarterly basis.

The Pre-Retirement Fund was created in 1994 for members approaching retirement and is designed to preserve capital. In 2002, the Pre-Retirement Fund provided a rate of return of 4.39%.

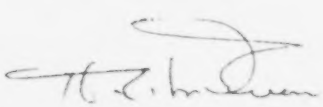
Mindful of the impact negative equity market returns may have on members' retirement plans, the Pension Board enacted changes to make the Pre-Retirement Fund more accessible to these members. In June, the Pension Board enacted a change that permitted members eligible to participate in the Pre-Retirement Fund the freedom to transfer equity between the Diversified Fund and the Pre-Retirement

Message from the Chair

Fund up to 4 times per year. To facilitate this change, the Board was also required to change to a "market value" method of allocating investment earnings and to change the Pre-Retirement Fund's actual investments from short-term bonds to money-market investments. Historically, money-market investments have not been sensitive to interest rate fluctuations and are better suited to achieve the Pre-Retirement Fund's investment objective of preserving capital.

In closing, I would like to acknowledge the commitment of my fellow Pension Board members who have worked to ensure the successful operation of the Capital Pension Plan. I would also like to thank our investment managers, asset consultant, custodian and the Plan's administration staff for their hard work during the past year.

Sincerely,



Harvey E. McEwen
Board Chair, Capital Pension Plan

Capital Pension Plan Board Members

Capital Pension Plan Board

back row (left to right) - **Robert Wiebe, Ken Klein, Larry Sheffer, Kevin Taylor, Micheal McPherson**
front row (left to right) - **Don Axtell, Harvey McEwen, Ron Cameron, David Brindle**

Harvey McEwen, Chair
Capital Pension and Benefits Administration, Retired

Robert Wiebe
Saskatchewan Watershed Authority

Don Axtell
Crown Investments Corporation

David Brindle
CEP Local 911, ISM Canada

Kevin Taylor
Saskatchewan Government Insurance

Micheal McPherson
Saskatchewan Housing Authorities

Ron Cameron
Saskferco Products Inc.

Ken Klein
Capital Pension & Benefits Administration

Larry Sheffer
Office and Professional Employees International Union Local 397

Investment Managers and Service Providers

Investment Managers - Diversified Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Lincluden Management Limited
Oakville, Ontario

State Street Global Advisors
Toronto, Ontario

Investment Manager - Pre-Retirement Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Investment Manager - Retirement Annuity Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Asset Consultant

James P. Marshall, a Hewitt Company
Regina, Saskatchewan

Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Plan's purpose is to provide employers with a cost and tax effective method of providing their employees with a means to systematically save for retirement.

The Capital Pension Plan provides retirement benefits to its members and survivor benefits to their beneficiaries. The Plan currently has more than 50 participating employers, including private corporations, labour unions, crown corporations and other selected organizations. There are over 6,900 members in the Plan.

The Plan sponsor is the Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board who are either representatives of the participating employers or appointed by the Plan sponsor. Most Pension Board representatives are also members of the Plan.

The Capital Pension Plan is registered under the *Income Tax Act* (Canada) as No. 0395624. The Plan is governed by the Plan Document, filed with the Superintendent of Pensions (Saskatchewan) in accordance with the *Pension Benefits Act, 1992*. The Plan is administered by the Capital Pension and Benefits Administration.

Governance

During 2002, the Pension Board continued its examination and work on the Plan's governance structures and processes. The focus for the year was the completion of a clear delineation and documentation of roles, responsibilities and accountabilities of all participants in the governance structure. Governance issues requiring further review and analysis were identified. The Pension Board reaffirmed its ongoing commitment to address these outstanding items on a timely basis.

2002 Highlights

During 2002:

- despite the Diversified Fund's negative annual rate of the return, comparative performance continued to rank above the median annual rate of return of more than 159 institutional balanced funds (according to PAL*Trak*™);
- the acquisition of 5 additional participating employers to the Plan;
- the acquisition of State Street Global Advisors as a passive (index) Canadian bond manager, replacing Knight, Bain, Seath & Holbrooke.

Communication Highlights

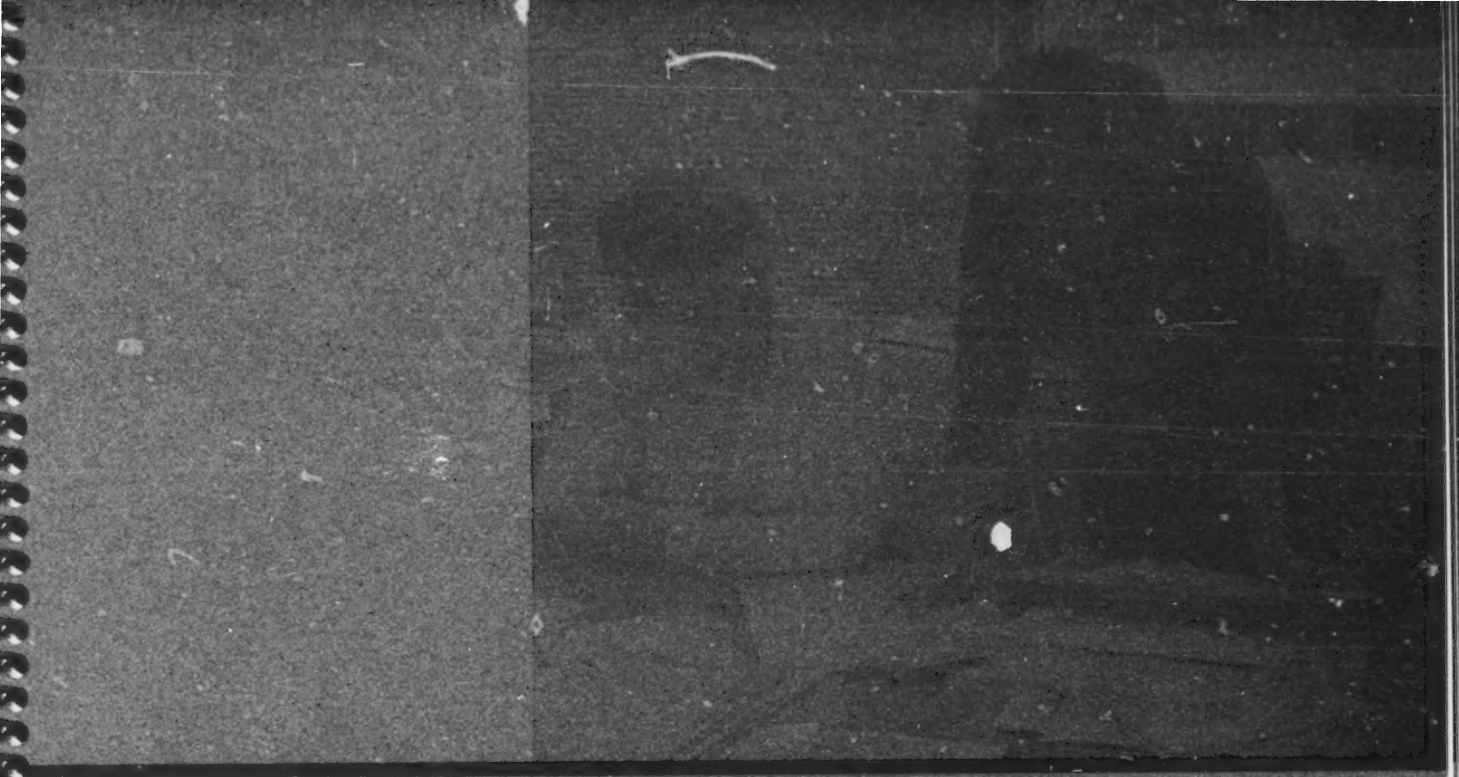
During 2002,

- a new logo and visual identity was established for the Plan;
- the development of a comprehensive communication strategy was initiated with a review of existing communication methods and materials;
- a comprehensive Employer Administration Guide was designed, developed and distributed to all participating employers;
- member information sessions were conducted in several locations throughout the province during September and October;
- Annual Statements to Members were mailed on January 31, 2002;
- the Annual Report for the year ending December 31, 2001 was tabled in the legislature on April 24, 2002;
- three issues of *the Capital Report* were published and mailed to members.

Challenges for 2003

The Plan has identified the following goals for 2003:

- continue to provide competitive investment returns despite volatile market conditions;
- redesign the Plan's website;
- design, develop and distribute a Plan Summary Member Booklet;
- pursue growth opportunities and acquire new participating employers;
- continue to develop and refine governance structure and processes;
- investigate enhancements to the pension administration information technology systems.



Capital
Pension Plan

Administration

Membership

The Capital Pension Plan may consider the membership of any employer interested in joining the Plan. In order to participate in the Plan, an employer must adopt the Plan by resolution.

Participating employers may determine the eligibility criteria for their employees. Typically, full-time employees become eligible to contribute to the Plan immediately, or upon completing a probationary period. Part-time employees may be required to meet certain minimum employment criteria before becoming eligible to contribute to the Plan.

Vesting

Vesting refers to the point in time when a member becomes entitled to all past and future contributions made by their employer on their behalf. Contributing members of the Capital Pension Plan become vested at the earlier of:

- the completion of 2 years of continuous employment service with a participating employer (employers may establish a period of less than 2 years); or
- the date of the member's death; or
- the date the member turns age 65.

Members that terminate prior to becoming vested forfeit their right to the employer's contributions made on their behalf.

Contributions

Both participating employers and contributing members make required contributions to the Plan. Member

and employer contributions are directed to an account in the member's name. Contributing members make required contributions to the Plan based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their active members in an amount equal to the member's contribution, unless another contribution rate is established by resolution. *The Pension Benefits Act (1992)* establishes a minimum contribution rate of 1% for participating employers.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to voluntary contributions.

Contributions to the Capital Pension Plan are subject to contribution limits set in the *Income Tax Act* (Canada).

Transferring Equity to the Capital Pension Plan

Members may transfer equity from previous pension plans to the Capital Pension Plan. If a reciprocal agreement exists, pensionable service from the previous pension plan may be recognized as well. Members may also transfer funds currently held in RRSPs to the Capital Pension Plan.

Locked-in Equity

Members' equity is categorized as either locked-in or non locked-in. Locked-in equity can be used only to provide pension income at retirement and cannot be withdrawn from the Plan as cash upon termination of employment. Non locked-in equity may be withdrawn as cash and is taxed upon withdrawal.

Required employee and employer contributions become locked-in when the member becomes vested in the Plan. Funds transferred to the Plan on a locked-in basis (i.e. from other pension plans) remain locked-in and treated consistently with applicable legislation. Voluntary contributions and funds transferred to the Plan from RRSPs remain locked-in as long as the member is employed with a participating employer.

Non Locked-in Equity

Once a member terminates employment, voluntary contributions and funds transferred to the Plan from RRSPs become non locked-in equity. Members may choose to leave the funds in the Plan, withdraw them as cash (with tax withheld), or transfer them to an RRSP.

For Saskatchewan members enrolled in the Plan prior to January 1, 1994, a portion equivalent to 50% of the member's required employee contributions (with earnings thereon) made to the Plan prior to January 1, 1994 is categorized as non locked-in equity.

Retirement

Members may retire and receive a pension from the Capital Pension Plan when:

- the member turns age 50; or
- the member's age plus pensionable service equal 75.

Members may defer receipt of pension income up to the end of the calendar year in which they turn age 69.

Pension Income Options

At retirement, members convert their Capital Pension Plan equity to pension income through the purchase of a pension income product approved under provincial legislation for the jurisdiction in which they are a member.

With amendments to the *Pension Benefits Regulations (1993)*, Saskatchewan members are permitted to purchase a Registered Retirement Income Fund, subject to the conditions prescribed in the regulations. Saskatchewan members of the Capital Pension Plan can purchase one or a combination of the following options:

- a Life Annuity from the Capital Pension Plan's Retirement Annuity Fund (RAF), or from a life insurance company; or
- a Registered Retirement Income Fund prescribed in the Saskatchewan *Pension Benefits Regulations (1993)*.

The option to purchase a prescribed RRIF at retirement is available to members in the Saskatchewan jurisdiction only. Jurisdiciton is determined by the province of employment when the member makes his/her last required contribution to the Capital Pension Plan.

Capital Pension Plan members employed in other provinces have the following pension options:

- the purchase of a Life Annuity from the Capital Pension Plan's Retirement Annuity Fund (RAF), or from a life insurance company, as prescribed in the legislation and/or regulations in each province; or
- the purchase of a Life Income Fund (LIF) as prescribed in the legislation and/or regulations for each province except Saskatchewan; or
- the purchase of a Locked-in Retirement Income Fund (LRIF) as prescribed in the legislation and/or regulations for the provinces of Alberta, Manitoba and Ontario only.

The amount of pension income a member receives at retirement depends on:

- the pension income option(s) the member chooses;
- the investment returns earned by the funds;
- the age of the member; and
- depending on the option chosen, the age of the member's spouse, if applicable.

Survivor Benefits Prior to Retirement

In the event of a member's death prior to retirement, the Plan provides a survivor benefit to the member's surviving spouse or designated beneficiary. The value of the benefit is equal to the member's equity.

If the member has a spouse, the spouse must be the member's beneficiary. In the event of the member's death, the spouse may:

- leave the equity in the Plan; or
- transfer the equity to a Locked-in Retirement Account (LIRA); or
- purchase a pension income product approved by provincial legislation, regardless of the spouse's age.

If the member does not have a spouse, the member's equity is paid to the designated beneficiary(ies) or the member's estate as a lump sum (tax withheld).

Survivor Benefits After Retirement

The survivor benefits payable in the event of the member's death after retirement depend on the pension income option(s) chosen.

Administration Cost Summary

Day to day administration of the Capital Pension Plan is performed by the Capital Pension and Benefits Administration. The Plan is administered on a cost-recovery basis. Administrative expenses are deducted from the Plan's earnings prior to the allocation of investment returns to members' individual equity accounts. In most instances, administration expenses are allocated to the investment funds based on the market value of the Fund, although some costs are fixed amounts.

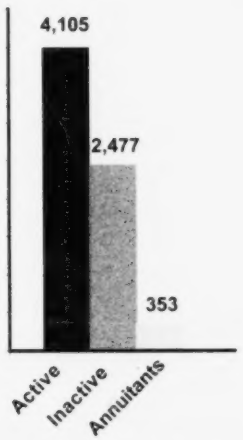
For 2002, overall administration costs totalled 0.34% or 34 basis points, unchanged from 2001. Total administration cost decreases were realized for the Diversified Fund. Total administration cost increases were experienced by the Pre-Retirement Fund, largely due to the 108% increase in the market value of the Fund during the year. Administration cost increases were also experienced by the Retirement Annuity Fund, due to the 4% increase in its market value during 2002.

Administration Expenses

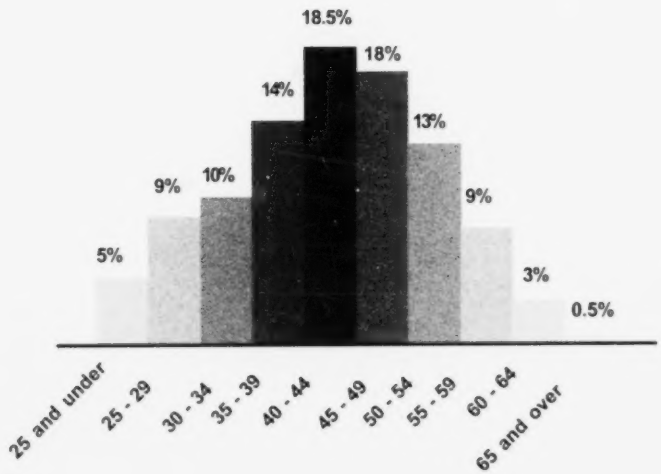
	Diversified Fund		Pre-Retirement Fund		Retirement Annuity Fund		Total	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Investment Management Fees	**$1,180**	$1,269	**$7**	$5	**$28**	$27	**$1,215**	$1,301
Custodial Service Fees	**$70**	$82	**$3**	$3	**$4**	$7	**$77**	$92
Investment Performance& Consultant Fees	**$62**	$62	**$1**	$1	**$3**	$3	**$66**	$66
Actuarial Services	**--**	--	**--**	--	**$12**	$8	**$12**	$8
Auditor's Fees	**$15**	$15	**$2**	$1	**$6**	$5	**$23**	$21
General Administration*	**$655**	$627	**$9**	$6	**$65**	$52	**$729**	$685
Total	**$1,982**	$2,055	**$22**	$16	**$118**	$102	**$2,122**	$2,173

*General administration includes costs for computer systems, salaries and benefits, office rentals, supplies, etc.

At December 31, 2002, the Capital Pension Plan had a total of 6,935 members. While the number of annuitants in the Plan's Retirement Annuity Fund remained stable, the number of active and inactive members in the Plan increased by 512.



Membership Demographics
December 31, 2002



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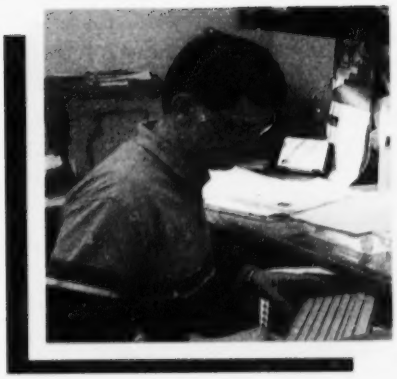
Capital Pension Plan

Investments



The Capital Pension Plan receives contributions from members and participating employers and holds them in trust. Contributions are invested in the Plan's investment funds.

The investment of the Plan's assets has been delegated to professional investment managers under the supervision of the Pension Board which monitors each Fund based on the guidelines established in the Fund's *Statement of Investment Policies and Goals*. These guidelines are reviewed annually by the Pension Board. Revisions are made as required.

The Plan's custodian, Royal Trust ensures the safekeeping of the assets, income collection, settlement of investment transactions and accounting for the investment transactions.

The Capital Pension Plan offers members some investment choice. The majority of Plan membership invest their contributions in the Diversified Fund. Members within 5 years of their earliest retirement date may choose to invest some or all of their Plan equity in the Pre-Retirement Fund. Retiring members that choose to purchase an annuity from the Capital Pension Plan are required to transfer their equity to the Retirement Annuity Fund.

At December 31, 2002, the total market value of the assets held by the Capital Pension Plan's contributory funds was $599 million.

The Diversified Fund

Capital's Diversified Fund was established in 1976. The investment objective of the Diversified Fund is to provide long-term investment growth within acceptable levels of risk, to maximize retirement wealth for Plan members. To achieve this objective, the Diversified Fund employs an asset mix with a bias towards equity investments. Historically, equities have provided higher average rates of return, although with a greater level of investment risk. Within the equity asset class, the Diversified Fund contains a mix of Canadian, U.S. and Non-North American holdings. Foreign content may not exceed 30% of the book value of the Fund, as per the guidelines established by Canada Customs and Revenue Agency.

The Diversified Fund balances equity investments with bonds, mortgages, real estate and short-term investments. This diversified asset mix is designed to take advantage of potentially higher returns historically associated with equity investments while counteracting some of the associated volatility with bonds and other types of investments. The Pension Board attempts to further reduce the overall level of risk by diversifying within the asset classes by investment manager, style and investment mandate.

Investment Policies and Goals

The assets of the Diversified Fund are invested in accordance with the Fund's *Statement of Investment Policies and Goals*, which includes the Fund's asset mix guidelines, quality and quantity constraints for each type of asset, the portfolio benchmark and performance objectives. At a minimum, the *Statement of Investment Policies and Goals* is reviewed and, if required, revised annually by the Pension Board.

During 2002, the Diversified Fund's *Statement of Investment Policies and Goals* was amended as follows:

- the management style of the Diversified Fund was broadened with the hire of a specialty (passive) investment manager to manage a portion of the Fund's Canadian Bond portfolio.

Diversified Fund Asset Mix Guidelines and Benchmark
December 31, 2002

	Minimum %	Maximum %	*Benchmark %*
Equities			
Canadian Equities	19	40	*29*
U.S. Equities	5	30	*14*
Non-North American Equities	5	30	*14*
Emerging Market Equities	0	3	*0*
Total Foreign Equities	**14**	**35***	***28***
Total Equities	**33**	**65**	***57***
Real Estate			
Total Real Estate	**0**	**7**	***5***
Fixed Income			
Bonds	30	60	*36*
Mortgages	0	5	*0*
Short-term Investments	1	40	*2*
Total Fixed Income	**31**	**100**	***38***

* not to exceed 30% of book value

Portfolio Return Expectations

The Pension Board sets benchmarks to evaluate the performance of the Fund's investment managers. Investment managers provide the Pension Board with quarterly reports on investment performance. In conjunction with the asset consultant, an independent firm specializing in evaluating investment performance, the Pension Board evaluates performance on a quarterly, annual, and consecutive four-year rolling basis (i.e. 4-year annualized).

The investment managers appointed by the Pension Board are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate that is consistent with acceptable risks and prudent management.

Diversified Fund Benchmark Portfolio

Asset Class	Weight	Market Index
Canadian Equities	29%	S & P/TSX Composite Index
U.S. Equities	14%	S & P 500 Index ($C)
Non-North American Equities	14%	MSCI EAFE Index ($C)
Real Estate	5%	Russell Canadian Property Index
Bonds	36%	SC Universe Bond Index
Short-term/cash	2%	91-day T-bills

The Diversified Fund is evaluated against a benchmark portfolio consisting of specific weightings for each of the Fund's major asset classes. The return of the benchmark portfolio is calculated by multiplying the benchmark weightings by the rate of return achieved by the relevant market index. This provides the return that would have been attained had the investment policy guidelines been passively implemented. The amount by which actual Fund performance exceeds the benchmark return reflects the "value added" by the investment managers.

Individual investment managers are evaluated against benchmark market performance over the long-term.

The long-term investment goal of the Fund is to achieve a minimum annualized rate of return of three percentage points above inflation as measured by the Canadian Consumer Price Index (CPI) over a term of 10 years or more.

Diversified Fund's Investment Managers

The Capital Pension Board attempts to further reduce overall investment risk by diversifying within asset classes by investment manager, style and investment mandate. In 2002, Capital's Diversified Fund was managed by the following three investment managers:

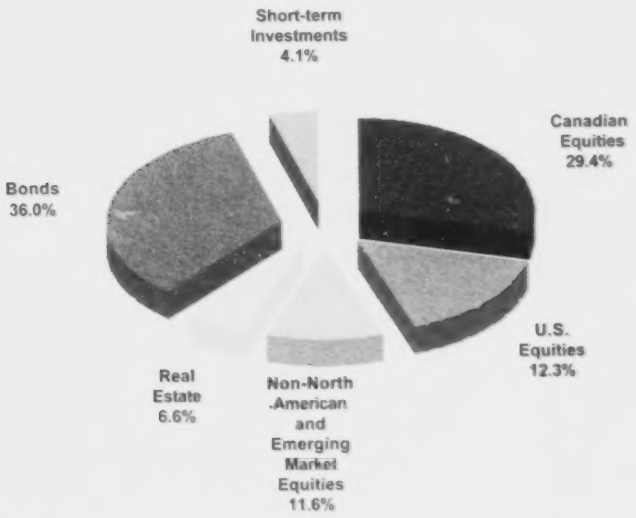
Greystone Capital Management Inc. is the Fund's main investment manager, responsible for a diversified portfolio including Canadian equities, foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs to manage the Non-North American equities portion of the portfolio.

State Street Global Advisors is responsible for a portion of the Canadian bond portfolio and employs a passive (i.e. index) management style.

Lincluden Management Limited is responsible for a portion of the Canadian equity portfolio.

Diversified Fund Asset Mix - December 31, 2002

The asset mix of the Diversified Fund varied throughout the year within the ranges established by the Pension Board. This reflects the investment managers' efforts to add value to the Fund by adjusting the weightings to respond to changing market conditions. The Fund's asset mix remained in compliance with the *Statement of Investment Policies and Goals*.



Diversified Fund 2002 Performance

Worldwide equity markets continued to post negative returns in 2002. The S&P/ TSX Composite Index closed the year in negative territory for the second year in a row, posting a rate of return of -12.4%. The S&P 500 Index posted a negative return for the third consecutive year with a return of -22.9%. The MSCI EAFE Index and the EMF Index closed the year with returns of -16.8% and -8.9% respectively. Fixed income markets provided relief to the beleaguered equity markets. The Russell Canadian Property Index (RCPI) and the SC Universe Bond Index (SC UBI) closed the year with returns of 8.2% and 8.7% respectively.

The Diversified Fund

For only the second time since its inception in 1976, Capital's Diversified Fund posted a negative rate of return, closing the year with a rate of return of -1.30% (net of all administration expenses). Despite closing the year in negative territory, the Diversified Fund's performance exceeded the annual performance of the benchmark portfolio.

Total Fund		
	Annual	4 year Annualized
Diversified Fund	-1.30%*	5.30%*
Benchmark Portfolio	-6.0%	2.4%

*returns are net of administration fees

Annual investment performance for the various asset classes was mixed. In Canadian equities, both Greystone and Lincluden outperformed the one year and four year benchmark.

Canadian Equities		
	Annual	4 year Annualized
Combined Performance	0.9%	12.7%
Greystone	6.7%	10.9%
Lincluden	3.5%	12.8%
S&P/TSX Composite Index	-12.4%	2.0%

Greystone under performed the annual and the 4 year benchmark in the U.S. equity asset class.

U.S. Equities		
	Annual	4 year Annualized
Greystone	-25.5%	-7.6%
S & P 500 Index	-22.9%	-6.1%

For the Non-North American Equity and Emerging Market asset class, Greystone fell short of the annual benchmark performance but matched the 4-year annualized performance.

Non-North American Equities		
	Annual	4-year Annualized
Greystone	19.0%	-7.3%
EAFE Index	*16.8%*	*-7.3%*

Overall bond performance exceeded benchmark performance. Greystone outperformed the benchmark on an annual and four-year annualized basis. State Street Global Advisors was hired effective March 1, 2002, therefore annual and 4-year annualized performance data was not available at year-end.

Bonds		
	Annual	4-year Annualized
Combined Performance	9.0%	6.9%
Greystone	9.0%	6.9%
SSGA	*n/a**	*n/a**
SC UBH	*8.7%*	*6.4%*
**State Street Global was hired effective March 1, 2002*		

Greystone's real estate holdings outperformed the benchmark on an annual basis, but fell short of the four-year annualized benchmark.

Real Estate		
	Annual	4-year Annualized
Greystone	11.6%	9.9%
RCPI	*8.2%*	*10.1%*

Historic Investment Performance for the Diversified Fund

	2002		2001		2000		1999	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	**-3.30%**	**-6.0%**	**2.94%**	**-3.6%**	**8.19%**	**5.6%**	**13.37%**	**14.9%**
Canadian Equities	-0.9%	-12.4%	7.0%	-12.6%	18.8%	7.4%	27.5%	31.7%
U.S. Equities	-25.5%	-22.9%	-6.5%	-6.4%	-2.2%	-5.9%	7.3%	14.4%
Non-North American Equities	-19.0%	-16.8%	-22.2%	-16.7%	-14.6%	-11.2%	37.1%	20.0%
Real Estate	11.6%	8.2%	7.8%	10.7%	8.5%	10.4%	11.7%	10.1%
Bonds	9.0%	8.7%	8.9%	8.1%	11.7%	10.3%	-1.5%	-1.1%

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	-3.30%	-0.23%	2.50%	6.14%	10.07%
S&P/TSX Composite Index	-12.4%	-12.5%	-6.3%	1.3%	9.1%
S & P 500 Index	-22.9%	-15.0%	-12.1%	1.4%	11.8%
MSCI EAFE Index	-16.8%	-16.8%	-15.0%	-1.0%	6.3%
SC UBI	8.7%	8.4%	9.0%	6.9%	8.9%
RCPI	8.2%	9.2%	10.1%	11.3%	8.1%

Capital's Pre-Retirement Fund was established in 1994. It is available to members who are within five years of their earliest possible retirement date. The investment objective of the Pre-Retirement Fund is to preserve capital and maintain a stable cash flow. The Fund is designed for members who wish to reduce their equity exposure as they approach retirement.

Investment Policies and Goals

The assets of the Pre-Retirement Fund are invested in accordance with the *Statement of Investment Policies and Goals*. This includes the Fund's asset mix guidelines, quality and quantity constraints and performance objectives. The *Statement of Investment Policies and Goals* is reviewed periodically (i.e. at least once per year).

During 2002, the *Statement of Investment Policies and Goals* was amended as follows:

- the asset mix was adjusted to include short-term investments exclusively;
- the rate of return of the Fund is based on the change in market value of the Fund's investment holdings.

Pre-Retirement Fund Asset Mix Guidelines and Benchmark

	Minimum %	Maximum %	*Benchmark %*
Fixed Income			
Short-term Investments (money market)	100	100	*100*

Portfolio Return Expectations

The goal of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds. The Fund's investment manager provides the Pension Board with quarterly reports on performance. In conjunction with the asset consultant, the Pension Board evaluates performance on a quarterly, annual and four-year annualized basis.

The Pre-Retirement Fund

Effective June 1 2002, the asset mix of the Pre-Retirement Fund was changed to 100% money-market investments. At the same time, the calculation of the rate of return was changed to a "market-value" method that includes realized and unrealized capital gains and/or losses of the Fund's investment holdings.

Pre-Retirement Fund's Investment Manager

The entire portfolio of the Pre-Retirement Fund is managed by Greystone Capital Management Inc.

Pre-Retirement Fund Asset Mix - December 31, 2002

Effective June 1, 2002, the investment portfolio of the Pre-Retirement Fund changed from short-term bonds to money market investments. This change was precipitated by the change to a "market value" method of allocating investment earnings to permit transfers between the Plan's investment funds. The change to a "market value" method of allocating investment earnings with investments restricted to bonds with a duration of 5 years or less left the Fund susceptible to interest rate fluctuations and the potential for negative returns if interest rates rose quickly. Historically, money market investments have not been sensitive to interest rate fluctuations and are better suited to achieve the Fund's objective of preserving capital.

Pre-Retirement Fund 2002 Performance

The Pre-Retirement Fund earned an annual rate of return of 4.39% as at December 31, 2002. This rate exceeds the December 31, 2002 rate of return for 91-day T-bills, which was 2.5%.

Based on current money-market returns, this rate will likely not be repeated for future years. The rate for 2002 includes the realized capital gain earned when the Pre-Retirement Fund's short-term bond investments were sold, resulting in a rate of return that is abnormally high for a money-market investment fund based on current conditions.

It is anticipated that future rates of return earned by the Pre-Retirement Fund will be similar to the rates earned by 91-day T-bills, which are currently earning between 2.0% and 3.0%.

Total Fund		
	Annual	**4-year Annualized**
Pre-Retirement Fund	**4.39%***	**5.31%***
91-day T-bills	*2.5%*	*4.64%*

*returns are net of administration fees.

Compound Rates of Return for the Pre-Retirement Fund

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	4.39%	4.97%	5.20%	5.53%	n/a
91-day T-bills	*2.5%*	*3.6%*	*4.2%*	*4.4%*	*n/a*

The Retirement Annuity Fund

In 1986, the Retirement Annuity Fund was established to provide lifetime pension annuities to members of the Capital Pension Plan. Members wishing to purchase a life annuity may do so through the Retirement Annuity Fund or from a life insurance company.

When a member chooses to purchase a life annuity from the Retirement Annuity Fund, his or her equity in the Capital Pension Plan is transferred to the Retirement Annuity Fund and a life annuity contract is established.

The monthly annuity amount payable to the member from the Retirement Annuity Fund is determined by:

- the amount of equity used to purchase the life annuity;
- the member's age;
- the annuity rate in effect at the time of the annuity purchase; and
- the age of the member's spouse (if a joint & survivor life annuity is purchased).

Investment Policies and Goals

Funds transferred to the Retirement Annuity Fund are invested in accordance with the *Statement of Investment Policies and Goals* established for the Fund. The *Statement of Investment Policies and Goals* is reviewed periodically (i.e. at least once per year).

During 2002, the *Statement of Investment Policies and Goals* for the Retirement Annuity Fund was reviewed and the format was updated. No significant changes were made to the actual policies or goals.

Portfolio Return Expectations

The mandate of the Retirement Annuity Fund is to provide lifetime retirement benefits to members that purchase a life annuity from the Fund. A rate of return is not calculated for the Fund. The performance objectives of the Retirement Annuity Fund are:

- to be immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to annuitants can be made when due; and
- ensure long-term Fund solvency.

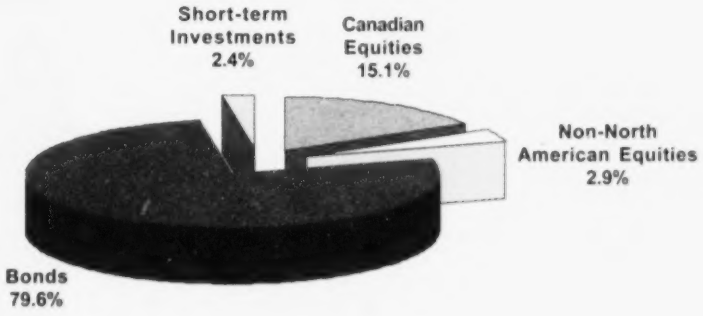
As such, the Fund contains a substantial "fixed income" component. Once these objectives have been met, any excess assets (i.e. assets in excess of those required to meet the duration matching strategy) may be invested in high quality equities to enhance the long-term solvency of the Fund. The performance objective of the equity component is to exceed the return of the following market indices:

- S&P/TSX Composite Index, for Canadian equities;
- S&P 500 Index (in Canadian dollars) for U.S. equities; and
- EAFE Index (in Canadian dollars) for Non-North American equities.

Retirement Annuity Fund's Investment Managers

The Retirement Annuity Fund is managed by Greystone Capital Management Inc.

Retirement Annuity Fund Asset Mix - December 31, 2002



Retirement Annuity Fund 2002 Performance

As of December 31, 2002, the performance of the fixed income component of the Retirement Annuity Fund accomplished the established performance goals. Performance of the equity component can be summarized as follows:

Retirement Annuity Fund Equity Component		
	Annual	**4-year Annualized**
Canadian Equities	-6.7%	10.9%
S&P/TSX Composite Index	*-12.4%*	*2.0%*
Non-North American Equities	-19.0%	-7.4%
MSCI EAFE Index	*-16.8%*	*-7.3%*

Capital
Pension Plan

Definitions

Active Member
(Contributing Member)

A member who is currently making employee required contributions to the Plan and/or whose employer is currently making employer required contributions to the Plan.

Annuitant

A member who has used some or all of his/her Plan equity from the Plan's contributory fund(s) to purchase a life annuity from the Retirement Annuity Fund.

Benchmark

A standard against which others are measured. For the purposes of this report, benchmarks are established market indices, listed as percentages, used to measure the performance of the Fund's investment returns in relative asset classes.

Benchmark Portfolio

The asset mix of a portfolio that is determined from an investment fund's asset mix guidelines and which is used to measure the performance of a Fund's overall return.

Benchmark Portfolio Return

The rate of return earned by the Benchmark Portfolio derived from the returns of the relative market indices.

Inactive Member

A member who is no longer working for a participating employer, but who has chosen to leave all or part of his/her equity with the Capital Pension Plan.

Plan Text

The official document of the Plan that describes its rules and regulations. Legislation requires that the Plan Text, and amendments thereto, must be filed with and approved by both the Superintendent of Pensions (Saskatchewan) and the Canada Customs and Revenue Agency.

Statement of Investment Policies and Goals

A policy document established by the Pension Board that sets out the asset mix of the investment funds, the manner by which the investment managers may invest the Fund's assets, the specific quantity and quality constraints, and the benchmark returns of the Funds.

91-day T-Bills

Canada Treasury Bills represent the highest quality short-term instruments available. The index is constructed by selling and repurchasing government of Canada T-bills with an average term to maturity of 91 days. The Scotia Capital 91-day Treasury Bill Index is calculated and marked to market daily.

Consumer Price Index (CPI)

Measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

Europe, Australia and Far East (EAFE) Index

The EAFE Index measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

Emerging Markets Free (EMF) Index

The EMF Index measures the economies that are in the early stages of development, but whose markets have sufficient size and liquidity and are receptive to foreign investment, such as Malaysia and Argentina.

Russell Canadian Property Index (RCPI)

The RCPI provides a comprehensive benchmark of investment returns for institutional real estate properties that are geographically dispersed across Canada.

Scotia Capital Markets Mortgage Index (SCM)

The SCM Mortgage Index measures the total return attributable to Canadian Mortgages.

Scotia Capital Markets Universe Bond Index (SC UBI)

The SC UBI measures the total return attributable to Canadian bonds and includes representative bonds issues by:

- issuer (Federal, Provincial, Municipal and Corporate);
- quality (AAA, AA, A and BBB); and
- term (short-term, mid-term, and long-term)

Standard & Poor's 500 Index (S & P 500 Index)

The S & P 500 Index measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

S&P/TSX Composite Index

Effective May 1, 2002, the TSE 300 Index is now known as the S&P/TSX Composite Index. The index comprises approximately 71% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

Capital
Pension Plan

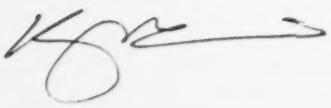
Financial Statements

Management's Responsibility For Financial Reporting

The financial statements and information contained in this 2002 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operations and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides an independent audit for the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



K. M. Klein
Executive Director

S. Jones
Manager,
Accounting and Administration

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Financial Statements of

CAPITAL PENSION PLAN – DEFINED CONTRIBUTION FUNDS

Year ended December 31, 2002

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KPMG LLP
Chartered Accountants
2000 – 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
www.kpmg.ca

AUDITOR'S REPORT

To the Members of the Capital Pension Plan – Defined Contribution Funds

We have audited the statement of net assets available for benefits of the Capital Pension Plan – Defined Contribution Funds as at December 31, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan - Defined Contribution Funds as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2003

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

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CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

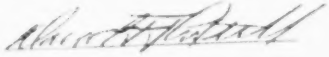
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

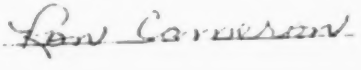
As at December 31

	2002			2001
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Assets				
Investments at market value (Note 3)	$ 587,410	$ 11,873	$ 599,283	$ 626,513
Cash	690	1,384	2,074	408
Contributions receivable	1,155	14	1,169	1,236
Interest and dividends receivable	1,659	1	1,660	2,804
Capital assets (Note 5)	51	-	51	40
Total Assets	590,965	13,272	604,237	631,001
Liabilities				
Accounts payable	246	7	253	325
Prepaid participants' contributions	147	-	147	113
Total liabilities	393	7	400	438
Net assets available for benefits	$ 590,572	$ 13,265	$ 603,837	$ 630,563
Net assets available for benefits consists of:				
Members' equity	$ 590,533	$ 13,264	$ 603,797	$ 630,356
Unallocated unrealized appreciation	39	1	40	207
	$ 590,572	$ 13,265	$ 603,837	$ 630,563

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director 

Director 

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2002			2001
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Increase in Assets				
Contributions and transfers in:				
Participants' contributions	$ 10,214	$ 41	$ 10,255	$ 9,680
Members' contributions	8,492	39	8,531	8,127
Voluntary contributions	841	2	843	877
Transfers into the fund	3,112	158	3,270	3,924
Interfund transfers	(8,721)	8,721	-	-
	13,938	8,961	22,899	22,608
Investment income (Note 4)	7,169	373	7,542	40,604
	21,107	9,334	30,441	63,212
Decrease in Assets				
Pension fund expenses:				
Investment management custodian Fees	1,250	10	1,260	1,360
Salaries and benefits	377	6	383	319
Other	355	6	361	392
	1,982	22	2,004	2,071
Net unrealized change in market value of investments	25,947	207	26,154	20,606
Withdrawals and transfers out:				
Withdrawals	25,669	2,032	27,701	28,226
Payouts on retirement (Note 6)	1,002	176	1,178	2,239
Transfers to other pension plans	130	-	130	201
	54,730	2,437	57,167	53,343
Increase (decrease) in net assets	(33,623)	6,897	(26,726)	9,869
Net assets available for benefits, beginning of year	624,195	6,368	630,563	620,694
Net assets available for benefits, end of year	$ 590,572	$ 13,265	$ 603,837	$ 630,563

(see accompanying notes)

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The operations of the RAF are reported separately. A combined financial statement for these three funds has also been prepared.

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members, and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan. For purposes of these financial statements, the Diversified Fund and the Pre-Retirement Fund are collectively called the Defined Contribution Funds (DCF).

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. Prior to June 1, 2002, the PRF held low-risk short to mid-term government bonds. Effective June 1, 2002, the PRF's portfolio was changed to money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to enable the Plan to issue retirement annuities to Plan members.

1. Description of Plan (continued)

c) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

d) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of investments

The DCF investments are recorded at market value determined as follows:

a) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on a public exchange are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not traded on the valuation date are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

Pooled equity funds are based on the quoted market price of the underlying equity investments, normally the current bid price.

b) Short-term investments are valued at cost which approximates their market value.

c) Mortgages are valued at their net present value using current market based rates of return.

d) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

Investment transactions and income

Investment transactions are recorded on the settlement date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

2. Significant Accounting Policies (continued)

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

3. Investments

Defined Contribution Funds investments consist of the following:

	2002	2001
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 66,740	$ 112,158
Province of Saskatchewan	2,948	3,206
Other provincial	26,252	29,802
Corporate and convertible	32,195	69,404
	128,135	214,570
Pooled Funds		
Canadian fixed income fund	86,263	-
Non-North American equity fund	68,059	67,189
	154,322	67,189
Short-term investments	23,476	26,668
Equities	242,396	273,309
Mortgages	712	1,571
Real estate	38,369	36,908
	587,410	620,215
Pre-retirement Fund		
Canadian money market fund	11,873	-
Short term investments	-	364
Bonds and debentures	-	5,934
	$ 599,283	$ 626,513

3. Investments (continued)

a) Short-term investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 2.68% to 3.04% (2001 – 1.93% to 3.44%). Interest is receivable at maturity.

b) Bonds and debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2002		2001	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.50 - 5.75%	2.94 - 5.32%	4.50 - 11.25%	2.93 - 5.80%
Province of Saskatchewan	5.25 - 6.40%	4.36 - 5.79%	4.75 - 6.40%	4.88 - 6.22%
Other provincial	5.25 - 8.75%	2.91 - 5.91%	4.88 - 8.75%	2.13 - 6.43%
Corporate and convertible	4.25 - 9.00%	3.25 - 7.00%	4.25 - 9.90%	2.90 - 7.06%

3. Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2002	2001
	(thousands of dollars)	
Government of Canada		
Due in one year or less	$ -	$ 565
After one through five years	41,285	50,593
After five years	22,805	58,424
Province of Saskatchewan		
After one through five years	-	1,497
After five years	2,848	2,424
Other provincial		
After one through five years	6,311	12,643
After five years	18,352	17,734
Corporate and convertible		
After one through five years	16,233	25,722
After five years	14,772	41,265
	$ 122,606	$ 210,867

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $72,559,000 (2001 - $97,608,000) denominated in U.S. dollars.

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

3. Investments (continued)

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 7.70% (2001 - 6.80% to 10.75%). Principal and interest are receivable on a monthly basis. The average term to maturity is 12 years (2001 - 8.94 years).

f) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,145,000 (2001 - $2,188,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Investment Income

	2002			2001
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Bonds and debentures interest	$ 14,005	$ 134	$ 14,139	$ 12,510
Interest on short-term investments	722	147	869	1,595
Interest on mortgages	79	-	79	135
Dividends	5,568	-	5,568	5,783
Income from real estate	2,834	-	2,834	2,470
Gain on sale of bonds and debentures	2,021	92	2,113	5,106
Gain (loss) on sale of equities	(19,546)	-	(19,546)	12,816
Gain on sale of real estate	1,297	-	1,297	-
Realization of mortgage discount	189	-	189	189
	$ 7,169	$ 373	$ 7,542	$ 40,604

5. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Depreciation	2002 Net Book Value	2001 Net Book Value
		(thousands of dollars)		
Computer equipment	$ 131	$ 91	$ 40	$ 22
Office furniture	20	12	8	10
Leasehold improvements	25	22	3	8
	$ 176	$ 125	$ 51	$ 40

6. Payouts on Retirement

As indicated in note 1(b), members may purchase annuities from the RAF upon retirement. During 2002, members transferred $1,178,000 (2001 - $2,101,000) from the DCF to the RAF for purposes of purchasing retirement annuities.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2002 Diversified Fund	2002 Pre-Retirement Fund	2001 Diversified Fund	2001 Pre-Retirement Fund
		(thousands of dollars)		
Participant's contributions	$ 6,186	$ 38	$ 5,745	$ 19
Investment income	172	22	156	50
Contributions receivable	771	14	804	2
Interest and dividends receivable	26	-	27	2

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Investment Performance

The DCF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. Based on this objective since June 1, 2002, the PRF is invested solely in short-term money market instruments. Prior to June 1, 2002, the PRF was invested in short term bonds.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance before operating expenses:

	2002 Return		Rolling four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	(3.00%)	3.90%	5.40%	5.10%
Benchmark rate of return	(6.00%)	2.50%	2.40%	4.30%

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

a) cash,
b) short-term investments
c) contributions receivable
d) interest and dividends receivable; and
e) accounts payable

the carrying amounts approximates fair value due to their immediate or short-term maturity.

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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Financial Statements of

CAPITAL PENSION PLAN – RETIREMENT ANNUITY FUND

Year ended December 31, 2002

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Chartered Accountants
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Regina SK S4P 4K9

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AUDITORS' REPORT

To the Members of Capital Pension Plan - Retirement Annuity Fund

We have audited the statement of financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2002 and the statement of operations and fund equity for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2003

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

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CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF FINANCIAL POSITION

As at December 31

	2002	2001
	(thousands of dollars)	
ASSETS		
Bonds and debentures (Note 3)	$ 21,912	$ 21,283
Pooled equity funds (Note 4)	4,502	4,605
Short-term investments	736	588
Total invested assets	27,150	26,476
Interest and accounts receivable	305	297
Cash	127	171
	$ 27,582	$ 26,944
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable (Note 8)	$ 885	$ 881
Provision for annuity benefits (Note 5)	21,248	20,962
	22,133	21,843
Fund equity (Note 6)	5,449	5,101
	$ 27,582	$ 26,944

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director _____ Director _____

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF OPERATIONS AND FUND EQUITY

As at December 31

	2002	2001
	(thousands of dollars)	
Revenue		
Investment income	$ 1,672	$ 1,600
Gain (loss) on sale of investments	(196)	472
Transfers from Defined Contribution Funds upon members' retirement	1,178	2,101
	2,654	4,173
Expenses		
Payment to pensioners	1,902	1,833
Operating expenses	118	102
Increase in provision for annuity benefits (Note 5)	286	2,647
	2,306	4,582
Net increase (decrease) in fund equity	348	(409)
Fund equity, beginning of year	5,101	5,510
Fund equity, end of year	$ 5,449	$ 5,101

(see accompanying notes)

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978**, and continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Retirement Annuity Fund (RAF) and the Defined Contribution Funds (DCF). A combined financial statement has also been prepared.

i) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the Defined Contribution Funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables.

Crown Investments Corporation of Saskatchewan is the Plan sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur.

ii) The DCF receive and hold, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. The operations of the DCF are reported separately.

c) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act.**

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of Investments

a) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

b) Investment in pooled equity funds are carried at cost.

c) Short-term investments are carried at cost.

d) Investments are written down when there has been a decline in value, which is other than temporary.

2. Significant Accounting Policies (continued)

Investment Transactions and Income

Investment transactions are recorded on the settlement date. Interest income is accrued monthly and dividend income is recognized on the record date.

3. Bonds and Debentures

Bonds and debentures include the following:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 7,153	$ 7,638	$ 6,603	$ 6,817
Province of Saskatchewan	2,153	2,872	2,146	2,753
Other Provincial	11,818	13,391	11,741	12,705
Corporate	788	867	793	873
	$ 21,912	$ 24,768	$ 21,283	$ 23,148

The RAF's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2002		2001	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.86 - 5.97%	0.00 - 9.75%	3.14 - 6.13%
Province of Saskatchewan	0.00 - 10.00%	4.90 - 5.84%	0.00 - 10.00%	5.64 - 6.59%
Other provincial	0.00 - 10.13%	3.10 - 6.07%	0.00 - 10.13%	2.65 - 6.66%
Corporate and convertible	8.80 - 10.55%	3.78 - 5.01%	8.80 - 10.55%	4.67 - 5.80%

3. Bonds and debentures (continued)

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2002		2001	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 215	$ 215	$ -	$ -
After one through five years	1,180	1,340	1,101	1,220
After five years	5,758	7,077	5,502	6,837
Province of Saskatchewan				
After five years	2,153	2,287	2,146	2,287
Other Provincial				
Due in one year or less	402	400	498	500
After one through five years	474	475	883	875
After five years	10,942	13,184	10,360	12,641
Corporate				
After five years	788	750	793	750
	$ 21,912	$ 25,728	$ 21,283	$ 25,110

4. Pooled Equity Funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held as at December 31, 2002 are:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 3,382	$ 4,708	$ 3,303	$ 5,045
Non-North American equity funds	1,120	899	1,302	1,110
	$ 4,502	$ 5,607	$ 4,605	$ 6,155

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.50% was used for the first 15 years and 6% thereafter. The interest rate assumption is unchanged from 2001. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,690,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $1,702,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $703,000.

The annual change in the liability is reflected in the statement of operations. The principal components of the change during the year were as follows:

	2002	2001
	(thousands of dollars)	
Provision, beginning of year	$ 20,962	$ 18,315
Increase in liability due to new annuitants during year	1,152	2,240
Net change in liability due to aging and gain from mortality	(109)	(38)
Expected annuity payments with interest	(1,910)	(1,832)
Interest on liabilities	1,153	1,145
Change in interest rate assumption	-	1,132
Provision, end of year	$ 21,248	$ 20,962

6. Fund Equity

Fund equity is intended as long-term capitalization of the RAF.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2002	2001
	(thousands of dollars)	
Investment income	$ 195	$ 214
Interest income receivable	84	84

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Settlement of Claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued in these financial statements. The court decision has been appealed and a new trial ordered to proceed in 2003. Any change in the judgment originally tendered will be accounted for in the period settled.

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

a) cash,
b) short-term investments,
c) interest and accounts receivable, and
d) accounts payable

the cost approximates the fair value due to their immediate or short-term maturity.

The fair value of bonds and debentures is estimated based on bid quotations received from security dealers for these or similar investments.

The fair value of the pooled equity funds is based on the quoted market price of the underlying equity investments, normally the current bid price.

The fair value of the provision for annuity benefit cannot be readily determined, however information about this liability is provided in Note 5.

Combined Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2002

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the combined statement of net assets available for benefits of the Capital Pension Plan as at December 31, 2002 and the combined statement of changes in net assets available for benefits for the year then ended. These combined financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2003

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CAPITAL PENSION PLAN

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2002				2001
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Assets					
Investments at market value (Note 4)	$ 587,410	$ 11,873	$ -	$ 599,283	$ 626,513
Investments at cost (Note 5)	-	-	27,150	27,150	26,476
Total investments	587,410	11,873	27,150	626,433	652,989
Cash	690	1,384	127	2,201	579
Contributions receivable	1,155	14	-	1,169	1,236
Interest and dividends receivable	1,659	1	305	1,965	3,101
Capital assets (Note 9)	51	-	-	51	40
Total assets	590,965	13,272	27,582	631,819	657,945
Liabilities					
Accounts payable	246	7	885	1,138	1,206
Prepaid participants' contributions	147	-	-	147	113
Provision for annuity benefits (Note 10)	-	-	21,248	21,248	20,962
Total liabilities	393	7	22,133	22,533	22,281
Fund equity	-	-	5,449	5,449	5,101
Total liabilities and fund equity	393	7	27,582	27,982	27,382
Net assets available for benefits	$ 590,572	$ 13,265	$ -	$ 603,837	$ 630,563

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director _____ Director _____

CAPITAL PENSION PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2002					2001
	Diversified Fund	Pre-Retirement Fund	Total Defined Contribution Funds	Retirement Annuity Fund	Total	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 6)	$ 7,169	$ 373	$ 7,542	$ 1,476	$ 9,018	$ 42,676
Contributions and transfers in (Note 7)	12,936	8,785	21,721	1,178	22,899	22,608
	20,105	9,158	29,263	2,654	31,917	65,284
Decrease in Assets						
Withdrawals and transfers out (Note 8)	25,799	2,032	27,831	-	27,831	28,565
Payments to pensioners	-	-	-	1,902	1,902	1,833
Increase (decrease) in provision for annuity benefits (Note 10)	-	-	-	286	286	2,647
Operating expenses	1,982	22	2,004	118	2,122	2,173
Net unrealized change in market value of investments	25,947	207	26,154	-	26,154	20,606
	53,728	2,261	55,989	2,306	58,295	55,824
Increase (decrease) in Net Assets	(33,623)	6,897	(26,726)	348	(26,378)	9,460
Fund equity, beginning of year	-	-	-	5,101		
Fund equity, end of year	-	-	-	$ 5,449		
Net assets available for benefits, beginning of year	624,195	6,368	630,563			
Net assets available for benefits, end of year	$ 590,572	$ 13,265	$ 603,837			

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The DF and PRF are defined contribution funds while the RAF offers annuities to members upon retirement. The DF and the PRF are collectively called the Defined Contribution Funds (DCF).

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. Prior to June 1, 2002, the PRF held low-risk short to mid-term government bonds. Effective June 1, 2002, the PRF's portfolio was changed to money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

1. Description of Plan (continued)

c) Crown Investments Corporation of Saskatchewan is the sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur. The DF and PRF have no responsibility to fund any shortfalls in the RAF.

d) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Scope of Financial Statements

Separate funds exist for the DCF and the RAF but are subject to common administration. Accordingly, these combined financial statements have been prepared to reflect this common administration. For further information readers should refer to the individual statements of the DCF and the RAF.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of investments

a) The DCF investments are recorded at market value determined as follows:

i) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

Pooled equity funds are valued based on the quoted market price of the underlying equity investments, normally the current bid price.

ii) Short-term investments are valued at cost which approximates their market value.

iii) Mortgages are valued at their net present value using current market based rates of return.

iv) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

3. Significant Accounting Policies (continued)

b) The RAF investments are recorded as follows:

i) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

ii) Investments in pooled equity funds are carried at cost.

iii) Short-term investments are carried at cost.

iv) Investments are written down when there has been a decline in value, which is other than temporary.

Investment transactions and income

Investment transactions are recorded on the settlement date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

4. Defined Contribution Funds Investments

	2002	2001
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 66,740	$ 112,158
Province of Saskatchewan	2,948	3,206
Other provincial	26,252	29,802
Corporate and convertible	32,195	69,404
	128,135	214,570
Pooled Funds		
Canadian fixed income fund	86,263	-
Non-North American equity fund	68,059	67,189
	154,322	67,189
Short-term investments	23,476	26,668
Equities	242,396	273,309
Mortgages	712	1,571
Real estate	38,369	36,908
	587,410	620,215
Pre-retirement Fund		
Canadian money market fund	11,873	-
Short term investments	-	364
Bonds and debentures	-	5,934
	$ 599,283	$ 626,513

a) Short-term investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 2.68% to 3.04% (2001 – 1.93% to 3.44%). Interest is receivable at maturity.

b) Bonds and Debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

4. Defined Contribution Funds Investments (continued)

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2002		2001	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.50 - 5.75%	2.94 - 5.32%	4.50 - 11.25%	2.93 - 5.80%
Province of Saskatchewan	5.25 - 6.40%	4.36 - 5.79%	4.75 - 6.40%	4.88 - 6.22%
Other provincial	5.25 - 8.75%	2.91 - 5.91%	4.88 - 8.75%	2.13 - 6.43%
Corporate and convertible	4.25 - 9.00%	3.25 - 7.00%	4.25 - 9.90%	2.90 - 7.06%

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2002	2001
	(thousands of dollars)	
Government of Canada		
Due in one year or less	$ -	$ 565
After one through five years	41,285	50,593
After five years	22,805	58,424
Province of Saskatchewan		
After one through five years	-	1,497
After five years	2,848	2,424
Other provincial		
After one through five years	6,311	12,643
After five years	18,352	17,734
Corporate and convertible		
After one through five years	16,233	25,722
After five years	14,772	41,265
	$ 122,606	$ 210,867

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $72,559,000 (2001 - $97,608,000) denominated in U.S. dollars.

4. Defined Contribution Funds Investments (continued)

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 7.70% (2001 - 6.80% to 10.75%). Principal and interest are receivable on a monthly basis. The average term to maturity is 12 years (2001 - 8.94 years).

f) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,145,000 (2001 - $2,188,000) in SaskPen Properties Ltd. SaskPen Properties is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

5. Retirement Annuity Fund Investments

a) Retirement Annuity Fund investments consist of the following:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Bonds and debentures	$ 21,912	$ 24,768	$ 21,283	$ 23,148
Pooled equity funds	4,502	5,607	4,605	6,155
Short-term investments	736	736	588	588
	$ 27,150	$ 31,111	$ 26,476	$ 29,891

Bonds and debentures include the following:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 7,153	$ 7,638	$ 6,603	$ 6,817
Province of Saskatchewan	2,153	2,872	2,146	2,753
Other Provincial	11,818	13,391	11,741	12,705
Corporate	788	867	793	873
	$ 21,912	$ 24,768	$ 21,283	$ 23,148

5. Retirement Annuity Fund Investments (continued)

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2002		2001	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.86 - 5.97%	0.00 - 9.75%	3.14 - 6.13%
Province of Saskatchewan	0.00 - 10.00%	4.90 - 5.84%	0.00 - 10.00%	5.64 - 6.59%
Other provincial	0.00 - 10.13%	3.10 - 6.07%	0.00 - 10.13%	2.65 - 6.66%
Corporate and convertible	8.80 - 10.55%	3.78 - 5.01%	8.80 - 10.55%	4.67 - 5.80%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2002		2001	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 215	$ 215	$ -	$ -
After one through five years	1,180	1,340	1,101	1,220
After five years	5,758	7,077	5,502	6,837
Province of Saskatchewan				
After five years	2,153	2,287	2,146	2,287
Other Provincial				
Due in one year or less	402	400	498	500
After one through five years	474	475	883	875
After five years	10,942	13,184	10,360	12,641
Corporate				
After five years	788	750	793	750
	$ 21,912	$ 25,728	$ 21,283	$ 25,110

5. Retirement Annuity Fund Investments (continued)

b) Pooled equity funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held as at December 31, 2002 are:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 3,382	$ 4,708	$ 3,303	$ 5,045
Non-North American equity funds	1,120	899	1,302	1,110
	$ 4,502	$ 5,607	$ 4,605	$ 6,155

c) Short-term investments

At December 31, 2002, the Fund had $736,000 (2001 - $588,000) invested in short term investments with an average rate of 2.75% (2001 - 3.26%).

6. Investment Income

Investment income is comprised of the following:

	2002				2001
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Bond and debenture interest	$ 14,005	$ 134	$ 1,556	$ 15,695	$ 14,020
Interest on short-term investments	722	147	23	892	1,621
Interest on mortgages	79	-	-	79	135
Dividends	5,568	-	93	5,661	5,847
Income from real estate	2,834	-	-	2,834	2,470
Gain on sale of bonds and debentures	2,021	92	-	2,113	5,578
Gain (loss) on sale of equities	(19,546)	-	(196)	(19,742)	12,816
Gain on sale of real estate	1,297	-	-	1,297	-
Realization of mortgage discount	189	-	-	189	189
	$ 7,169	$ 373	$ 1,476	$ 9,018	$ 42,676

7. Contributions and Transfers in

Contributions and transfers in are comprised of the following:

	2002				2001
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 10,214	$ 41	$ -	$ 10,255	$ 9,680
Members' contributions	8,492	39	-	8,531	8,127
Voluntary contributions	841	2	-	843	877
Transfers into the fund	3,112	158	-	3,270	3,924
Interfund transfers	(9,723)	8,545	1,178	-	-
	$ 12,936	$ 8,785	$ 1,178	$ 22,899	$ 22,608

8. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2002				2001
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Withdrawals	$ 25,669	$ 2,032	$ -	$ 27,701	$ 28,226
Payout on retirement	-	-	-	-	138
Transfers to other pension plans	130	-	-	130	201
	$ 25,799	$ 2,032	$ -	$ 27,831	$ 28,565

9. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Depreciation	2002 Net Book Value	2001 Net Book Value
	(thousands of dollars)			
Computer equipment	$ 131	$ 91	$ 40	$ 22
Office furniture	20	12	8	10
Leasehold Improvements	25	22	3	8
	$ 176	$ 125	$ 51	$ 40

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.50% was used for the first 15 years and 6% thereafter. The interest rate assumption is unchanged from 2001. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,690,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $1,702,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $703,000.

The annual change in the liability is reflected in the statement of changes in net assets for benefits statement. The principal components of the change during the year were as follows:

	2002	2001
	(thousands of dollars)	
Provision, beginning of year	$ 20,962	$ 18,315
Increase in liability due to new annuitants during year	1,152	2,240
Net change in liability due to aging and gain from mortality	(109)	(38)
Expected annuity payments with interest	(1,910)	(1,832)
Interest on liabilities	1,153	1,145
Change in interest rate assumption	-	1,132
Provision, end of year	$ 21,248	$ 20,962

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2002				2001
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 6,186	$ 38	$ -	$ 6,224	$ 5,764
Investment income	172	22	195	389	420
Contributions receivable	771	14	-	785	806
Interest and dividends receivable	26	-	84	110	113

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. Based on this objective since June 1, 2002, the PRF is invested solely in short-term money market instruments. Prior to June 1, 2002, the PRF was invested in short term bonds.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

12. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2002 Return		Rolling four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	(3.00%)	3.90%	5.40%	5.10%
Benchmark rate of return	(6.00%)	2.50%	2.40%	4.30%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Settlement of claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued in these financial statements. The court decision has been appealed and a new trial ordered to proceed in 2003. Any change in the judgment originally tendered will be accounted for in the period settled.

14. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:
a) cash,
b) short-term investments,
c) contributions receivable,
d) interest and dividends receivable, and
e) accounts payable
the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 3 (a).

The fair value of the provision for annuity benefits cannot be readily determined, however information about this liability is provided in note 10.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.